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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY,
AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED THEREON
FOR UTILITY SERVICE BY ITS PARADISE
VALLEY WATER DISTRICT.

DOCKET NO. W-01303A-05-0405

Arizona Corporation Commission

DOCKETED

MAR 14 2008

DOCKETED BY

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IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY
FOR APPROVAL OF AN AGREEMENT WITH
THE PARADISE VALLEY COUNTRY CLUB.

DOCKET NO. W-01303A-05-0910

**PROCEDURAL ORDER SETTING
HEARING ON PROPOSED RATE
DESIGN AGREEMENT**

BY THE COMMISSION:

On June 3, 2005, Arizona-American Water Company filed with the Arizona Corporation Commission ("Commission") an application for a rate increase for its Paradise Valley Water District ("District"). The application requested approval for the District of a public safety surcharge for investments by the Company related to improvement of fire flow facilities; an Arsenic Cost Recovery Mechanism for investments required by the Company to comply with federal water arsenic reduction requirements; and approval of a conservation surcharge that would be imposed for usage in the highest consumption block.

On July 28, 2006, the Commission issued Decision No. 68858 in these dockets, approving the Company's requests, including a public safety surcharge and a high block surcharge. Since that time, there have been numerous filings in this docket regarding the surcharges.

On, January 16, 2008, the Town of Paradise Valley ("Town"), through its Town Manager,

1 filed in these dockets a letter and an agreement dated January 4, 2008 ("proposed Rate Design
2 Agreement"). The proposed Rate Design Agreement attached to the Town's letter includes signature
3 pages signed by representatives of the Town, Sanctuary on Camelback Mountain, the Camelback Inn,
4 and the Scottsdale Renaissance (collectively, "Resorts"). The signature pages also appear to be
5 signed by representatives of Clearwater Hills Improvement Association, Camelhead Estates II HOA,
6 and Finisterre HOA. The January 16, 2008, letter from the Town encourages the Commission to
7 reopen Commission Decision No. 68858 and modify the District's rate design consistent with the
8 Rate Design Agreement.
9

10 At a Commission Staff Meeting noticed for and held on February 27, 2008, the Commission
11 voted to reconsider Decision No. 68858 pursuant to A.R.S. § 40-252 for the limited purpose of
12 reviewing the Rate Design Agreement.

13 On February 28, 2008, a Procedural Order was issued setting a procedural conference for the
14 purpose of allowing the parties to Decision No. 68858 an opportunity to discuss an appropriate
15 procedural schedule for reconsideration of Decision No. 68858, which was reopened for the limited
16 purpose of reviewing the proposed Rate Design Agreement.
17

18 On February 29, 2008, the Resorts jointly filed a Motion to Intervene.

19 On March 4, 2008, the Town filed a Motion to Intervene.

20 No objections were filed to the Motions to Intervene filed by the Town and the Resort.

21 On March 10, 2008, a procedural conference was held as scheduled. With the exception of
22 the Paradise Valley Country Club, all parties to Decision No. 68858 appeared through counsel.
23 Counsel for the Resorts and the Town also appeared. As there were no objections to the Motions to
24 Intervene filed by the Town and the Resort, the requested interventions were granted.
25

26 The parties discussed a procedural schedule for discovery and prefiled testimony, and agreed
27 to an expedited discovery schedule. The Resorts and the Town indicated that they could file direct
28

1 testimony in support of the proposed Rate Design Agreement within two weeks. The other parties
2 indicated that with discovery on an expedited basis, they could file their direct testimony within
3 approximately thirty days of the filing of direct testimony on behalf of the Resorts and the Town.
4 The timeframe discussed at the procedural conference is reasonable, and will allow a hearing to be
5 timely noticed and held for the limited purpose of considering the proposed Rate Design Agreement.

6 Pursuant to A.A.C. R14-3-101, the Commission now issues this Procedural Order to govern
7 the preparation and conduct of this proceeding.
8

9 IT IS THEREFORE ORDERED that the **hearing** in the above-captioned matter shall
10 commence on **May 15, 2008, at 10:00 a.m.**, or as soon thereafter as is practical, at the Commission's
11 offices, Hearing Room 1, 1200 West Washington, Phoenix, Arizona 85007.

12 IT IS FURTHER ORDERED that the **direct testimony and associated exhibits in support**
13 **of the proposed Rate Design Agreement** to be presented at hearing **on behalf of the Town and the**
14 **Resorts** shall be reduced to writing and filed on or before **March 28, 2008**.
15

16 IT IS FURTHER ORDERED that **direct testimony and associated exhibits** regarding the
17 proposed Rate Design Agreement to be presented at hearing **on behalf of the parties to Decision No.**
18 **68858** shall be reduced to writing and filed on or before **April 25, 2008**.

19 IT IS FURTHER ORDERED that **rebuttal testimony and associated exhibits** to be
20 presented at hearing on behalf of **all parties to this proceeding** shall be reduced to writing and filed
21 on or before **May 9, 2008**.
22

23 IT IS FURTHER ORDERED that any **substantive corrections, revisions, or supplements** to
24 pre-filed testimony shall be reduced to writing and filed no later than **May 13, 2008**.

25 IT IS FURTHER ORDERED that any objections to any testimony or exhibits which have
26 been prefiled as of May 9, 2008, shall be made on or before **May 13, 2008**.
27
28

1 IT IS FURTHER ORDERED that **intervention** shall be in accordance with A.A.C. R14-3-
2 105, except that all motions to intervene must be filed on or before **May 2, 2008**.

3 IT IS FURTHER ORDERED that any **objections to intervention** shall be filed by **May 7,**
4 **2008.**

5 IT IS FURTHER ORDERED that discovery shall be as permitted by law and the rules and
6 regulations of the Commission, except that: objections to discovery requests shall be made within
7 five calendar days and responses shall be made in seven calendar days. The response time may be
8 extended by mutual agreement of the parties involved if the request requires an extensive compilation
9 effort; and no discovery requests shall be served after May 7, 2008.
10

11 IT IS FURTHER ORDERED that discovery requests, objections, and answers may be served
12 electronically.¹

13 IT IS FURTHER ORDERED that, in the alternative to filing a written motion to compel
14 discovery, any party seeking discovery may telephonically contact the Commission's Hearing
15 Division to request a date for a procedural hearing to resolve the discovery dispute; that upon such a
16 request, a procedural hearing will be convened as soon as practicable; and that the party making such
17 a request shall contact all other parties to advise them of the hearing date and shall at the procedural
18 hearing provide a statement confirming that the other parties were contacted.²
19

20 IT IS FURTHER ORDERED that any responses to motions shall be filed within five calendar
21 days of the filing date of the motion.
22

23 IT IS FURTHER ORDERED that any replies shall be filed within five calendar days of the
24 filing date of the response.
25
26

27 ¹ If requested by the receiving party, and the sending party has the technical capability, service electronically is
28 mandatory.

² The parties are encouraged to attempt to settle discovery disputes through informal, good-faith negotiations before
seeking Commission resolution of the controversy.

IT IS FURTHER ORDERED that any motions filed in this matter that are not ruled upon by the Commission within twenty calendar days of the filing date of the motion shall be deemed denied.

IT IS FURTHER ORDERED that the Company shall provide public notice of the hearing in this matter, in the following form and style with the heading in no less than 14 point bold type and the body in no less than 12 point regular type:

**PUBLIC NOTICE OF REOPENING ARIZONA CORPORATION COMMISSION
DECISION NO. 68858 (JULY 28, 2006), CONCERNING ARIZONA AMERICAN WATER
COMPANY'S RATE REQUEST FOR ITS PARADISE VALLEY WATER DISTRICT,
PURSUANT TO A.R.S. § 40-252, FOR THE LIMITED PURPOSE OF REVIEWING THE
RATE DESIGN AGREEMENT FILED ON JANUARY 16, 2008, BY THE TOWN OF
PARADISE VALLEY, AND NOTICE OF HEARING FOR THAT LIMITED PURPOSE.**
(Docket No. W-01303A-05-0405 et al.)

Summary:

On July 28, 2006, the Arizona Corporation Commission ("Commission") issued Decision No. 68858 in these dockets, approving a rate increase requested by Arizona-American Water Company ("Company") for its Paradise Valley Water District. The rate design approved in that case includes a public safety surcharge and a high block surcharge. On January 16, 2008, the Town of Paradise Valley ("Town") filed with the Commission a letter and a proposed Rate Design Agreement dated January 4, 2008, signed by representatives of Sanctuary on Camelback Mountain, Camelback Inn, and Scottsdale Renaissance (collectively, "Resorts") and of the Town. The proposed Rate Design Agreement appears also to be signed by representatives of Clearwater Hills Improvement Association, Camelhead Estates II HOA, and Finisterre HOA. At a Commission Staff Meeting noticed for and held on February 27, 2008, the Commission voted to reconsider Decision No. 68858 pursuant to A.R.S. § 40-252 for the limited purpose of reviewing the proposed Rate Design Agreement. The parties to Decision No. 68858 are the Company, the Paradise Valley Country Club, the Residential Utility Consumer Office, and the Commission's Utilities Division Staff. Intervention has recently been granted to the Town and the Resorts. The Town and the Resorts will be filing testimony in support of the Rate Design Agreement, and all parties to the proceeding will have an opportunity to file responsive testimony. **The effect of the proposed Rate Design Agreement, if adopted, for individual customers would vary depending upon the type and quantity of service provided. Customers may contact the Company to inquire about the effect of the proposed Rate Design Agreement on their individual bill.**

How You Can View or Obtain a Copy of the proposed Rate Design Agreement:

The parties to Decision No. 68858 will file their recommendations to the Commission on the proposed Rate Design Agreement on April 25, 2008, and copies of those filings will be available at the Commission's offices in the Docket Control Center for public inspection after that date. The Commission will determine the appropriate relief to be granted based on the evidence of record in the proceeding. The Commission is not bound by the proposals made by any parties, and therefore, the final rate design approved may differ from the proposed Rate Design Agreement. Copies of the proposed Rate Design Agreement are available at the Commission's offices at 1200 West Washington, Phoenix, Arizona, for public inspection during regular business hours and on the internet via the Commission website (www.azcc.gov) using the e-docket function.

Arizona Corporation Commission Public Hearing Information:

The Commission will hold a hearing on this matter beginning **May 15, 2008**, at the Commission's offices, 1200 West Washington, Phoenix, Arizona. Public comments will be taken on the first day of the hearing. Written public comments may be submitted via email, or by mailing a letter referencing Docket Number **W-01303A-05-0405 et al.** to: Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007 (visit <http://www.azcc.gov/divisions/utilities/forms/publiccomment.pdf> for a form and instructions). If you require assistance, you may contact the Consumer Services Section of the Commission at 1-800-222-7000.

About Intervenor Status:

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. If you desire to intervene, you must file a written motion to intervene with the Commission. You must send a copy of the motion to intervene to the Company or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. Your name, address, and telephone number and the name, address and telephone number of any party upon whom service of documents is to be made if not yourself.
2. A short statement of your interest in the proceeding (e.g., a customer of the Company, a shareholder of the Company, etc.).
3. A statement certifying that you have mailed a copy of the motion to intervene to the Company or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that **all motions to intervene must be filed on or before May 2, 2008.** If representation by counsel is required by Rule 31 of the Rules of the Arizona Supreme Court, intervention will be conditioned upon the intervenor obtaining counsel to represent the intervenor. For information about requesting intervention, visit the Arizona Corporation Commission's webpage at

1 <http://www.azcc.gov/divisions/utilities/forms/interven.pdf>. The granting of
2 intervention, among other things, entitles a party to present sworn evidence at
3 hearing and to cross-examine other witnesses. However, failure to intervene will
4 not preclude any customer from appearing at the hearing and making a statement
5 on such customer's own behalf.

6 **ADA/Equal Access Information:**

7 The Commission does not discriminate on the basis of disability in admission to
8 its public meetings. Persons with a disability may request a reasonable
9 accommodation such as a sign language interpreter, as well as request this
10 document in an alternative format, by contacting the ADA Coordinator, Linda
11 Hogan, at LHogan@azcc.gov, voice phone number (602) 542-3931. Requests
12 should be made as early as possible to allow time to arrange the accommodation.

13 IT IS FURTHER ORDERED that the Company shall **mail to each of its customers** a copy of
14 the above notice as a bill insert beginning no later than the first billing cycle in **April, 2008, or by**
15 **special mailing concluding no later than April 15, 2008**, and shall cause the above notice to be
16 **published at least once in a newspaper of general circulation** in the District's service territory,
17 with publication to be completed no later than **April 15, 2008**.

18 IT IS FURTHER ORDERED that the Company shall file **certification of mailing and**
19 **publication** as soon as practicable, but **not later than May 1, 2008**.

20 IT IS FURTHER ORDERED that notice shall be deemed complete upon mailing and
21 publication of same, notwithstanding the failure of an individual customer to read or receive the
22 notice.

23 IT IS FURTHER ORDERED that all parties must comply with Rules 31 and 38 of the Rules
24 of the Arizona Supreme Court and A.R.S. § 40-243 with respect to practice of law and admission *pro*
25 *hac vice*.

26 IT IS FURTHER ORDERED that withdrawal of representation must be made in compliance
27 with A.A.C. R14-3-104(E) and Rule 1.16 of the Rules of Professional Conduct (under Rule 42 of the
28 Rules of Arizona Supreme Court). Representation before the Commission includes the obligation to
appear at all hearings and procedural conferences, as well as all Open Meetings for which the matter
is scheduled for discussion, unless counsel has previously been granted permission to withdraw by
the Administrative Law Judge or the Commission.

IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized

Communications) applies to this proceeding and shall remain in effect until the Commission's Decision in this matter is final and non-appealable.

IT IS FURTHER ORDERED that the time periods specified herein shall not be extended pursuant to Rule 6(a) or (e) of the Rules of Civil Procedure.

IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

Dated this 14th day of March, 2007.


TEENA WOLFE
ADMINISTRATIVE LAW JUDGE

Copies of the foregoing mailed/delivered this 14th day of March, 2007 to:

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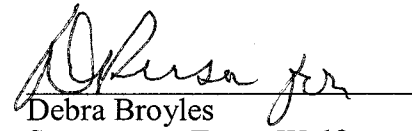
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